

United States Senate

WASHINGTON, DC 20510

December 15, 2008

The Honorable Barack Obama
President-elect
Presidential Transition Team
451 6th St., NW
Washington, DC 20001

Dear Mr. President-elect:

We write to ask for your support of a robust shipbuilding budget and policies to support our Navy, Marine Corps, and Coast Guard and to enable commercial ship construction in the United States. Such policies and funding would create and sustain highly skilled jobs, strengthen our national and homeland security, and modernize and expand our domestic marine transportation highway.

The shipbuilding industry of the United States employs more than 400,000 people in 47 states. The industry consists of six major shipbuilding yards, several smaller ship construction and repair yards, and more than 4,000 major manufacturers of ship components and systems. Thousands of jobs would be created in the United States with a renewed commitment to shipbuilding that has been lacking in the past decade.

Military leaders have documented for several years a minimum national requirement for 313 ships to support our Navy and Marine Corps. The Chief of Naval Operations Admiral Gary Roughead testified last year at the Navy FY09 budget hearing that “[t]he rate at which we are growing our fleet will challenge our ability to fulfill the core capabilities of the maritime strategy.” He is, “committed to taking the steps necessary to build the future fleet and re-establish the vital trust needed among the Department, Congress, and industry to get our Navy above a 313-ship floor.” At the House Armed Services Committee hearing on March 6, 2008, Admiral Roughead said, “[t]hree hundred thirteen ships represent the minimum force necessary to provide the global reach, persistent presence, and strategic, operational, and tactical effects.” He concluded by saying, “I support a stable shipbuilding plan that provides an affordable, balanced force and preserves our nation’s industrial base. I intend to develop further our Navy’s relationship with industry to reinforce our commitment to a stable shipbuilding plan.”

Unfortunately, however, the Navy’s fleet has declined to 284 ships. To attain the 313-ship Navy outlined by the CNO, 12 ships need to be budgeted annually.

While America’s naval fleet is in decline, the Navies of potential adversaries are on the rise. Russia has made rebuilding its naval power a priority, and the Navy of China is expanding rapidly. By 2015 the Chinese Navy is projected to be larger than ours, and Russia has stated its intention to have the second largest Navy in the world by 2022. These countries may be building their naval forces to deny America access to critical regions and to limit America’s influence around the world. Because more than 90 percent of global commerce is transported by sea, naval power is the key to accessing critical raw materials, to securing sea lanes of commerce for trade and energy, and to projecting power quickly when needed. Other nations are also placing a

premium on naval forces, and the instances of piracy on the world's oceans are increasing at an alarming rate. Terrorist attack from sea remains a high security threat.

In addition to the Navy's priorities, the U.S. Coast Guard warrants your attention. The U.S. Coast Guard fleet is one of the oldest in the world. Your commitment to modernize the Coast Guard fleet with new improved cutters will be essential in defending our borders, improving search and rescue, stopping illegal trafficking, and giving the Coast Guard the tools it needs to perform its homeland security missions.

The crisis in financial markets makes it more vital than ever to budget \$60 million annually for the Title XI Ship Loan Guarantee Program administered by the Maritime Administration. This program provides a government guarantee of 87.5 percent of a commercial bank loan over 25 years to ship owners for ship construction in the United States. Vessels financed by Title XI would enhance our domestic energy development and transportation capability for all forms of energy. The dry cargo ships currently serving American ports average more than their 20-year intended service lives.

More ships need to be built to meet our security, energy, and transportation needs. Building more ships would also build our economy and create and preserve thousands of engineering and production jobs in the United States. Your efforts to reverse years of inadequate funding for the Navy, Coast Guard, and commercial shipbuilding will provide many positive returns on a much needed investment.

Thank you for your consideration of this important national economic and security matter.

Sincerely,

Susan Collins

Olympic Snowy

Bill Marling

Paul Coburn

Max Baucus

Ed Kennedy

Jim DeMint

Whitman

Robert A. Neuharth

Daryl Vittor

Ben Cardini

John Reed

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CC: Mr. Peter Orszag
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